

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BANGKOK IMMEDIATE

AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY KINSHASA

AMEMBASSY KUALA LUMPUR

AMEMBASSY LAGOS

AMEMBASSY LA PAZ

INFO AMEMBASSY LONDON

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E.O. 11652: N/A

TAGS: EMIN, ITC

SUBJECT: REVIEW OF TIN PRICES AT THE JULY ITC MEETING

REF: LONDON 1U488

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1. AT THE JUNE MEETING OF THE ITC'S ECONOMIC AND PRICE
REVIEW PANEL (EPRP) A MAJORITY OF THE MEMBERS CONCLUDED
THAT THE COUNCIL SHOULD URGE PRODUCERS AND CONSUMERS TO
TAKE ALL POSSIBLE STEPS TO ENCOURAGE TIN PRODUCTION
THROUGH TAX AND OTHER INCENTIVES AND THROUGH AN INCREASED
FLOW OF TECHNOLOGY AND FUNDS TO THE MINING INDUSTRY.
FURTHER, THE PANEL CONCLUDED THAT RELIANCE ON A LARGER

BUFFER STOCK SHOULD RESULT IN LESS RECOURSE TO EXPORT CONTROLS. THEY ALSO CONCLUDED THAT THE PRESENT ITC FLOOR AND CEILING PRICES ARE INADEQUATE.

2. THE TIN COUNCIL WILL CONSIDER THE PRICE AND OTHER ISSUES RAISED BY THE EPRP AT ITS JULY MEETING. POSTS ARE REQUESTED TO INFORM APPROPRIATE HOST GOVERNMENT OFFICIALS PRIOR TO THE COUNCIL MEETING OF FOLLOWING U.S. VIEWS:

(A) WE BELIEVE THAT THE COMBINATION OF PRODUCER TAXES, RESTRICTIVE LICENSING PRACTICES AND OVER-RELIANCE ON THE USE OF EXPORT CONTROLS BY THE ITC HAS DESTABILIZED THE

TIN MARKET, CONTRIBUTED TO THE CURRENT DEFICIT IN TIN PRODUCTION, AND IS PRINCIPALLY RESPONSIBLE FOR THE CURRENT HIGH PRICES.

(B) HIGH AND RISING PRODUCER TAXES BOTH CONTRIBUTE TO RISING MARKET PRICES AND TO LOWER PRODUCER MARGINAL REVENUES. THESE FACTORS SERVE AS A DISINCENTIVE AND IMPEDIMENT TO PRODUCTION. EXAMPLE: BETWEEN JUNE AND DECEMBER 1976 BOLIVIAN PRODUCTION COSTS ROSE FROM MALAYSIAN \$1006 TO M\$1016 PER PIKUL, A RISE OF ONLY M\$10, BUT EXPORT TAXES ROSE FROM M\$207 TO M\$286, A RISE OF M\$79.

(C) PRODUCER GOVERNMENT LICENSING PRACTICES, PARTICULARLY LIMITED OFFICIAL USE

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IN MALAYSIA AND BOLIVIA, HAVE, IN OUR VIEW, RESTRICTED ENTRY INTO THE INDUSTRY AND CONTRIBUTED TO THE DECLINE IN TIN PRODUCTION SINCE 1972.

(D) EXPORT CONTROLS AND RESTRICTIVE LICENSING PRACTICES HAVE COMBINED TO RESTRICT SUPPLY IN THE FACE OF EXPANDING DEMAND, THEREBY NOT ALLOWING MARKET FORCES TO DETERMINE PRICE.

(E) OVER THE LONG-TERM, MARKET PRICES ARE INCREASED BY RESTRICTIVE PRACTICES AND THE US ENCOURAGES PRODUCERS TO REMOVE THESE IMPEDIMENTS SO THAT MARKET FORCES AND THE ITC CAN OPERATE MORE EFFECTIVELY.

3. THE EPRP MAJORITY CONCLUSIONS REGARDING THE ABOVE OBSTACLES TO MARKET STABILIZATION SHOULD, IN OUR VIEW, BE ADDRESSED BY CONCRETE ACTION ON THE PART OF PRODUCERS AND CONSUMERS IN THE ITC. SECRETARY VANCE'S STATEMENT THAT THE U.S. WILL CONTRIBUTE TO BUFFER STOCKS IS ONE OF THE NECESSARY STEPS TO IMPROVE THE FUNCTIONING OF ITC. HOWEVER, THE BENEFITS OF SUCH CONTRIBUTIONS CAN ONLY BE FULLY REALIZED IN CONNECTION WITH MEASURES TAKEN BY PRODUCING COUNTRIES ON EXPORT TAXES AND PRODUCTION

POLICIES TO AMELIORATE SUPPLY PROBLEMS. IN THIS REGARD
WE WOULD WELCOME PRODUCER SUPPORT FOR COUNCIL RESOLUTIONS
ON EXPORT CONTROLS AND TAXES ALONG THE LINES SUGGESTED IN
SUB-PARAGRAPHS (C) AND (D) OF THE PANEL'S FINDINGS AND
CONCLUSIONS. VANCE

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